

**OPENING STATEMENT of
CHARLES D. NOTTINGHAM, VICE CHAIRMAN
Public Hearing - STB EP 431 (Sub No. 3)
Uniform Rail Costing System
April 30, 2009**

I would also like to welcome everyone to this hearing. Our topic today is the Board's Uniform Rail Costing System. Adopted in 1989 to be our general purpose costing model, URCS is an important tool for us. We use URCS whenever we need to estimate the variable cost of rail transportation. It therefore plays a prominent role in rate cases and a number of other agency proceedings.

The issue today is how best to review and improve URCS. We are always interested in finding ways to improve our regulatory processes, whether it's our simplified guidelines for small rail disputes, our calculation of the railroad industry cost of capital, or improvements to URCS. Our staff has been conducting a review of URCS to find ways to improve the model, and we have an ongoing rulemaking that seeks to improve the way URCS costs movements of hazardous materials. I fully support efforts to improve the existing model where it makes sense to do so.

But we need to tread cautiously in exploring a broader overhaul of URCS. URCS itself took years to create and replaced a costing model the ICC had used for over 50 years. And history illustrates that even simple changes to URCS will be complicated. Just a few years after it created URCS, the ICC undertook what it thought would be a regular review of this costing model. The resulting review took 7 years to complete.

I believe the process needs to be managed carefully so that we not embark on an open-ended journey without some clear destination in mind. Otherwise, we risk repeating the mistakes of our predecessor and having a second lengthy review that may provide some benefits and improvements to URCS, but will certainly impose a heavy burden

on the Board, the railroad industry, railroad customers and the general public.

I have reviewed the comments from all participants today and thank everyone in advance for their constructive suggestions on how to improve URCS. I have an open mind on all this and look forward to hearing the testimony of those parties that chose to attend our hearing today.